

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 EB-11 SCEM-02 SCI-06 INT-08

SPC-03 AID-20 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 COME-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01 USIA-15 SIL-01

LAB-06 DRC-01 (ISO) W

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P R 191405Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 2621

RINFO RUFHOL/AMEMBASSY BONN 3224

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 1 OF 2 THE HAGUE 5563

E.O. 11652: N/A

TAGS: ENRG NL

SUBJ: US-DUTCH CONTINGENCY TALKS ON DUTCH OIL

SUPPLY SITUATION

SUMMARY:

UNDERSECRETARY DONALDSON AND PARTY DISCUSSED DUTCH OIL
SUPPLY PROBLEM WITH GON DEC 17. DUTCH EXPECT CRUDE
SUPPLY FOR DUTCH REFINERIES TO BE CUTBACK TO 60 PERCENT
OF NORMAL BY END-JANUARY AND HOLD AT THAT LEVEL THROUGH
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APRIL. BY EXERCISING VOLUNTARY AND MANDATORY CONSUMPTION

CONTROLS, CONVERTING WHERE POSSIBLE FROM OIL TO COAL AND GAS, AND DRAWING DOWN REFINED PRODUCT STOCKS TO LEGAL MINIMA, GON HOPES OPTIMISTICALLY TO REDUCE SHORTFALL TO AVERAGE OF ABOUT 15 PERCENT, WHICH IS DEEMED TOLERABLE. NAPHTHA, GASOILS AND KEROSENE ARE MAIN PROBLEM AREAS, ALONG WITH METALLURGICAL COKING COAL. DUTCH ASKED THAT WE EXPLORE CERTAIN ALTERNATIVE TECHNIQUES OF US SUPPORT ON CONTINGENCY BASIS, BUT MADE NO REPT NO REQUEST FOR SPECIFIC USG ASSISTANCE AT THIS TIME. ACTION REQUESTED. DEPARTMENT'S COMMENTS ON POINTS RAISED BY MINISTER OF ECONOMIC AFFAIRS LUBBERS IN PARAS 11 AND 12. END SUMMARY.

1. UNDERSECRETARY DONALDSON AND DEP ASST SECY KATZ MET IN HAGUE DEC 17 WITH DUTCH MINISTERS OF FOREIGN AFFAIRS (VAN DER STOEL) AND ECONOMIC AFFAIRS (LUBBERS) AND SENIOR OFFICIALS TO EXPLORE PARAMETERS OF DUTCH OIL SUPPLY SITUATION IN FACE OF OAPEC BOYCOTT AS BASIS FOR CONTINGENCY PLANNING ON POSSIBLE US ASSISTANCE IF AND WHEN NEEDED.

2. AFTER INITIAL PRIVATE MEETING BETWEEN VAN DER STOEL, UNDERSECRETARY AND AMBASSADOR GOULD (HAGUE 5527) VAN DER STOEL OPENED GENERAL SESSION BY SAYING HOW MUCH NETHERLANDS APPRECIATED US OFFER TO BE OF ASSISTANCE. IN BRIEFING US ON DEC 14-15 EC SUMMIT AND DUTCH REACTIONS THERETO HE EMPHASIZED GREAT IMPORTANCE WHICH GON ATTACHES TO SECRETARY KISSINGER'S PROPOSAL FOR AN ENERGY ACTION GROUP, ABOUT WHICH HIS AUTHORITIES TO HEAR MORE FROM US SIDE. HE ATTACHED CONSIDERABLE IMPORTANCE TO ESTABLISHMENT FOR FIRST TIME PF PRINCIPLE THAT EC NINE WOULD STAND TOGETHER IN DEALING WITH OIL CRISIS. HE ADDED, HOWEVER, THAT UNTIL RATHER GENERAL UNDERTAKINGS IN SUMMIT COMMUNIQUE ARE TRANSLATED INTO EFFECTIVE JOINT EC ACTION, IT REMAINS APPROPRIATE FOR GON TO DISCUSS CONTINGENCY ARRANGEMENTS WITH FRIENDS AND ALLIES OUTSIDE EC. "WE ARE STILL LIVING IN A STATE OF UNCERTAINTY", HE SAID, "AS TO WHAT WILL COME OUT OF THE EC BY WAY OF A COMMON APPROACH TO THE ENERGY PROBLEM." IN REFERENCE TO JOINT EC ACTION
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IN DEALING WITH ARABS KATZ LATER MADE POINT THAT IF EC SHOULD DECIDE TO ADOPT BLOC APPROACH IN MAKING ITS OWN DEAL WITH ARABS, USG MIGHT BE FORCED TO DO THE SAME, AND SINCE WE ARE LESS DEPENDENT ON ARAB OIL WE WOULD PROBABLY COME UP WITH BETTER DEAL. THIS ARGUMENT FOR THE ENERGY ACTION GROUP APPROACH APPEARED TO MAKE AN IMPRESSION ON DUTCH PARTICIPANTS.

3. VAN DER STOEL SUGGESTED THAT TALKS FOCUS ON THREE POINTS (1) EXPLANATION FROM US SIDE OF BACKGROUND AND IMPLICATIONS OF SECRETARY'S PILGRIM SOCIETY SPEECH AND PROPOSED ENERGY ACTION COUNCIL, (2) POSSIBLE FORMS OF INTERNATIONAL COOPERATION IN MEETING ENERGY CRISIS OVER LONGER TERM, AND (3) SHORT TERM MEASURES TO MEET IMMEDIATE DUTCH OIL SUPPLY PROBLEM THROUGH MAINTENANCE OF REASONABLE THROUGHPUT AT AMERICAN-OWNED DUTCH REFINERIES AND BY SUPPLYING COAL FOR DUTCH STEEL AND POWER INDUSTRIES.

4. AMBASSADOR GOULD EXPRESSED APPRECIATION FOR FIRM DUTCH MIDEAST STAND WHICH SHOULD PROVE HELPFUL TO EVENTUAL SETTLEMENT. HE SAID US PURPOSE IS NOT TO RAISE UNREALISTIC DUTCH EXPECTATIONS OF POSSIBLE US SUPPORT IN PRESENT CRISIS BUT TO EXPLORE PARAMETERS OF PROBLEM IN LIGHT OF RECENT EVENTS, INCLUDING EC SUMMIT. UNDER SECRETARY INDICATED US INTENTION TO BE ENTIRELY FORTHCOMING IN DISCUSSIONS AND ACCEPTED MINISTER'S 3 POINT APPROACH IN DEFINING DUTCH OIL SUPPLY SHORTFALLS AND MAKING START ON CONTINGENCY PLANNING. UNDERSECRETARY SAID THAT US DID NOT WISH TO FORCE ITSELF ON HOLLAND IN ITS RELATIONS WITH EC NINE.

5. MINECON DIR GEN WANSINK REVIEWED DUTCH OIL BALANCE IN 1972, WHICH HE SAID MAY PROVE TO BE LAST "NORMAL" YEAR FOR FORESEEABLE FUTURE. HE NOTED THAT OF 130 MILLION METRIC TONS OF CRUDE REACHING NETHS IN 1972, 60 MILLION PASSED THROUGH TO NEARBY COUNTRIES IN TRANSIT WHILE BALANCE WAS REFINED HERE. 57 PERCENT OF LOCALLY REFINED PRODUCTS WERE EXPORTED LEAVING 25 MILLION TONS FOR LOCAL CONSUMPTION AND 11.5 MILLION FOR BUNKERS.

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H-03 INR-10 L-03 NSAE-00 PA-04 PRS-01 USIA-15 SIL-01

LAB-06 DRC-01 /171 W

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P R 191405Z DEC 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 2622

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

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6. CRUDE IMPORTS, WANSINK CONTINUED, WERE ALREADY 30 PERCENT BELOW NORMAL BY END-NOVEMBER AND ARE EXPECTED TO BE 40 PERCENT BELOW BY END-JANUARY. STOCKS OF CRUDE AND REFINED PRODUCTS IN GERAL WERE UP TO 110 DAYS AT BEGINNING OF SUPPLY CUTBACK. WITH DRAWDOWNS TO STOCKS AS PLANNED, CONSUMPTION WILL BE REDUCED BY ONLY 25 PERCENT ON AVERAGE. SUPPLY OF CHEMICAL FEEDSTOCKS (NAPHTHA) IS CRITICAL OWING TO EMPLOYMENT FACTOR IN BOTH CHEMICAL AND END USER INDUSTRIES. PROBLEM WITH NAPHTHA IS INCREASED BY FACT THAT PRODUCTION FROM NIGERIAN CRUDE CANNOT BE SHIFTED FROM GASOLINE TO CONFIDENTIAL

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NAPHTHA TO EXTEND OFFERED BY PERSIAN GULF CRUDES. OVERALL USE OF GASOLINE, HOWEVER, EXPECTED TO BE REDUCED BY 35 PERCENT (PRIVATE USE 40 PERCENT), WHILE OBJECTIVE IS TO MAINTAIN NAPHTHA CONSUMPTION WELL OVER 75 PERCENT OF NORMAL.

7. NATURAL GAS EXTRACTION IS TO BE ACCELERATED FROM PREDICTED 88.3 BILLION CUBIC METERS IN 1974 TO 92 BILLION. OBJECTIVE IS TO CONVERT OIL-BURNING POWER PLANTS, INDUSTRY AND SPACE HEATING TO GAS BUT LACK OF ENOUGH TECHNICALLY QUALIFIED PEOPLE AND MATERIALS (E.G. VALVES) THREATENS CONVERSION BOTTLENECK.

8. WANSINK OUTLINED OFFICIAL GON ESTIMATE OF OIL SHORTFALL AS FOLLOWS: 40 PERCENT SHORTAGE OF IMPORTS FOR DOMESTIC USE WILL BE MET THROUGH DRAWDOWN OF STOCKS TO MAINTAIN AVAILABILITY OF REFINED PRODUCTS AT 75 PERCENT NORMAL

LEVEL. HALF OF REMAINING SHORTFALL WILL BE CANCELLED OUT BY CONTROL OF CONSUMPTION THROUGH VOLUNTARY MEANS OR RATIONING. REMAINING 12.5 PERCENT SHORTFALL, AMOUNTING TO ABOUT 175,000 B/D OF CRUDE, WOULD CAUSE ECONOMIC HARDSHIP BUT WITHIN TOLERABLE LIMITS. WANSINK DESCRIBED ABOVE AS OPTIMISTIC IN HIS VIEW AND SUGGESTED MORE REALISTIC SCENARIO AS MAINTAINING PRODUCT AVAILABILITY AT 60-65 PERCENT OF NORMAL (INSTEAD OF 75 PERCENT), CONSUMPTION CONTROLS AT 15 PERCENT AND ECONOMIC SHORTFALL AT 20-25 PERCENT (270,000 TO 350,000 B/D).

9. NAPHTHA (SEE ABOVE), KEROSENE, AND GASOIL-DIESEL WERE SIGNALLED AS PROBLEM AREAS. ASSUMING DRAWDOWN OF KEROSENE AND GASOIL STOCKS TO LEGAL 65-DAY MINIMUM BY END APRIL, AND ASSUMING AVERAGE 75 PERCENT OF NORMAL CONSUMPTION LEVEL SHORTAGE DURING JANUARY-APRIL PERIOD WILL TOTAL 185,000 TONS OF KEROSENE (12,000 B/D) AND 615,000 TONS OF GASOIL (38,000 B/D). NORMAL CONSUMPTION OF NAPHTHA DURING 4-MONTH PERIOD WOULD BE 2,520,000 METRIC TONS (187,000 B/D) BUT ESTIMATED (INCLUDING ANTICIPATED IMPORTS IN PRODUCED FORM) AVAILABILITY IS 1,546,000 TONS. WHILE THERE IS NO LEGAL STOCK REQUIREMENT, AUTHORITIES ASSUME STOCK OF 441,000 TONS

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END APRIL LEAVING ONLY 1,105,000 TONS FOR INDUSTRY, OR ABOUT 44 PERCENT OF NORMAL. GON IS THINKING IN TERMS OF 80 PERCENT AS MINIMUM ACCEPTABLE TO MAINTAIN REASONABLE LEVEL OF EMPLOYMENT. THIS WOULD REQUIRE 911,000 TONS OF ADDITIONAL NAPHTHA (69,000 B/D) DURING 4-MONTH PERIOD.

10. REFERRING TO CHEVRON CRUDE SUPPLY PROBLEM IN ROTTERDAM UNDERSECRETARY POINTED OUT THAT SEVERAL EUROPEAN REFINERIES (INCLUDING CHEVRON IN BELGIUM AND GERMANY) DEPEND ON TRANSIT SUPPLY THROUGH ROTTERDAM AND ASKED ABOUT DUTCH ATTITUDE TOWARD ARRANGEMENT WITH SAUDIS TO FACILITATE DELIVERY IN TRANSIT. MINISTER LUBBERS SUGGESTED POSSIBILITIES OF USING SAUDI INSPECTORS OR LOCAL CUSTOMS AT RECEIVING END TO VERIFY DELIVERY BUT EXPRESSED DOUBT THAT SAUDIS WOULD SERIOUSLY CONSIDER PROMPT RELIEF OF TRANSIT PROBLEM. HE SAID THERE WAS NO NEED FOR THEM TO BE STATIONED IN ROTTERDAM, BUT AGREED TO RESTUDY PROBLEM.

11. LUBBERS INQUIRED (1) IF INTER-COMPANY SWAPS COULD BE FACILITATED, (2) IF US CRUDE COULD BE REFINED IN ROTTERDAM FOR US FORCES EUROPE,

(3) IF USG HAS OIL STOCKS AVAILABLE. US SIDE REPLIED
ALTERNATIVE METHODS OF SUPPLY WOULD BE EXPLORED, SOME
REFINING OF CRUDE IN ROTTERDAM WOULD BE LOOKED AT,
POSSIBLY INCLUDING SHIPMENT OF FUEL OILS TO US AND
RETAINING DISTILLATES IN NETHERLANDS, BUT USG HAS NO
OFFICIAL STOCKS OR REASONABLE EXPORT POSSIBILITY.
LUBBERS TABLED QUESTION WHETHER NETH FORCEEC COULD USE
NATO FUEL SUPPLIES, WHICH WOULD COVER 1.5 PERCENT OF
DUTCH CONSUMPTION. HE INDICATED THAT USG HELP
IN KEEPING AMERICAN REFINERIES (READ CHEVRON) IN
ROTTERDAM GOING WOULD BE MOST IMPORTANT.

12. REGARDING COAL, LUBBERS REQUESTED USG ASSISTANCE
IN FACILITATING SUPPLY TO HOOGOEVENS STEEL COMPLEX
AND THOSE POWER STATIONS WHICH CAN USE IT. (SEE
HAGUE 5465). HE ALSO INDICATED THAT GON IS CONSIDERING
PROCUREMENT OF 3 MILLION TONS OF STEAM COAL FROM US
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IN EARLY 1974 AS RESERVE FOR POWER PLANTS NEXT WINTER.

13. LUBBERS MADE FOLLOWING MORE GENERAL OBSERVATIONS
OF INTEREST:

(A) GOVERNEMENT MUST REPLACE OIL COMPANIES AS
NEGOTIATING PARTNERS WITH OPEC BUT MUST AVOID BECOMING
POLITICAL BLOCS.

(B) INCREASE IN LEVEL OF UNEMPLOYMENT IN HOLLAND IS TOLERABLE
AS LONG AS SOCIAL SECURITY SYSTEM WORKS, BUT 4.5 PERCENT
UNEMPLOYMENT MIGHT STRETCH ITS CAPACITY LIMIT
(PRESENT UNEMPLOYMENT IS ABOUT 3 PERCENT).

(C) MINISTER OF ECONOMIC AFFAIRS HAS CONCLUDED
THAT MAXIMUM ACCEPTABLE CUTBACK IN PETROLEUM
CONSUMPTION IN POLITICAL AND ECONOMIC TERMS WOULD BE
ABOUT 30 PERCENT BELOW NORMAL AND/OR 10 PERCENT
BELOW EUROPEAN AVERAGE CUTBACK.

14. THIS MESSAGE WAS NOT COMPLETED BEFORE UNDER-
SECRETARY'S DEPARTURE AND IS THUS SENT UNCLEARED.
GOULD

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Message Attributes

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Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
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From: THE HAGUE
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30 JUN 2005

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